

Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2020

[Japanese GAAP]

December 10, 2020

Company name: Tobila Systems Inc.

Listing: Tokyo Stock Exchange, First Section

Securities code: 4441

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Scheduled date of Annual General Meeting of Shareholders: January 21, 2021

Scheduled date of payment of dividend: January 6, 2021

Scheduled date of filing of Annual Securities Report: January 21, 2021

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

1. Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2020 (November 1, 2019 - October 31, 2020)

(1) Results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Oct. 31, 2020	1,234	25.7	498	22.8	471	20.0	322	29.6
Fiscal year ended Oct. 31, 2019	981	16.5	406	77.4	392	76.3	248	68.1

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Oct. 31, 2020	31.30	30.20	27.5	31.9	40.4
Fiscal year ended Oct. 31, 2019	25.53	24.04	39.1	44.1	41.4

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Oct. 31, 2020: - Fiscal year ended Oct. 31, 2019: -

Notes: 1. The Tobila Systems stock was listed on the Tokyo Stock Exchange Mothers Market on April 25, 2019. Diluted net income per share for the fiscal year ended October 31, 2019 was determined by using an average stock price during the period between the listing and the end of October 2019.

2. Tobila Systems conducted a 100-for-1 stock split on January 16, 2019 and a 3-for-1 stock split on October 11, 2019. Accordingly, net income per share and diluted net income per share have been calculated as if these stock splits had taken place at the beginning of the fiscal year ended October 31, 2019.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Oct. 31, 2020	1,647	1,347	81.7	129.71
As of Oct. 31, 2019	1,310	1,000	76.4	97.91

Reference: Shareholders' equity (million yen) As of Oct. 31, 2020: 1,347 As of Oct. 31, 2019: 1,000

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Oct. 31, 2020	358	(123)	(15)	1,218
Fiscal year ended Oct. 31, 2019	380	(63)	455	998

2. Dividends

	Dividend per share					Total dividends	Payout ratio	Dividend on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Oct. 31, 2019	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Oct. 31, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Oct. 31, 2021 (forecasts)	-	0.00	-	11.70	11.70	112	34.5	9.5

3. Earnings Forecast for the Fiscal Year Ending October 31, 2021 (November 1, 2020 - October 31, 2021)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	681	15.5	241	(0.5)	240	11.4	164	10.1	15.80
Full year	1,410	14.2	517	3.7	515	9.3	352	9.2	33.84

*** Notes**

(1) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting-based estimates: None
- 4) Restatements: None

(2) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Oct. 31, 2020:	10,385,400 shares	As of Oct. 31, 2019:	10,222,800 shares
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2) Number of treasury shares at the end of the period

As of Oct. 31, 2020:	50 shares	As of Oct. 31, 2019:	- shares
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3) Average number of shares outstanding during the period

Fiscal year ended Oct. 31, 2020:	10,298,193 shares	Fiscal year ended Oct. 31, 2019:	9,741,026 shares
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Note: Tobila Systems conducted a 100-for-1 stock split on January 16, 2019 and a 3-for-1 stock split on October 11, 2019.

The number of outstanding shares has been calculated as if these stock splits had taken place at the beginning of the fiscal year ended October 31, 2019.

* The current financial report is not subject to audit by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Cautionary statement with respect to forward-looking statements

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to Tobila Systems' management at the time these materials were prepared, but are not promises by Tobila Systems regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 4 for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

(1) Results of Operations

Teleworking is increasing in Japan, especially in metropolitan areas, as people become accustomed to new life styles created by the COVID-19 pandemic. As the number of people working home increased, there was a growing awareness of the vital role of telephones. In addition, companies are enacting business process reforms in order to achieve a digital transformation. All of these events are creating more interest in ICT tools and other items for improving the efficiency of business activities.

The number of fraud and spam activities using either phone calls or text messages (SMS phishing) targeting smartphone users and the resulting monetary losses are consistently high in 2020. Recently, fraud associated with the global spread of COVID-19 pandemic, is on the increase. Fraud activity that creates worries and threatens public safety is a constant problem. There is an increasing need for measures to maintain a safe communication environment that protects people from fraud, which is becoming increasingly frequent and sophisticated. As a result, there are growing expectations regarding our security products and services that are effective at protecting smartphone users from fraud.

We have continued to focus our resources on fraud and spam prevention services, our main source of revenue, based on our corporate philosophy “We open the door to a better future for our lives and the world.” We have taken actions to enlarge service alliances, strengthen cooperation and increase MAU (Monthly Active Users) for more utilization of our fraud and spam prevention services. In addition, at the end of March 2020 we started selling TobilaPhone Cloud, a cloud-based IP phone that can be used for teleworking. This is our first step to target the needs of people working at remote locations.

Expenses were higher than in the previous fiscal year mainly because of increases in advertising expenses, a larger workforce, and fees and other expenses for the stock listing upgrade to the First Section of the Tokyo Stock Exchange.

As a result, net sales increased 25.7% year-on-year to 1,234 million yen in the fiscal year ended October 31, 2020. Operating profit increased 22.8% to 498 million yen, ordinary profit increased 20.0% to 471 million yen and profit was up 29.6% to 322 million yen.

Note: MAU is the number of users of our products and services who access our server at least once a month to update a blocked phone number list automatically or to activate our app or other services. If a person uses multiple devices and each device has a separate agreement, the person is counted as different users.

MAU is an important KPI for determining the contribution of our products and services to eliminating problems caused by fraud and spam activities. Our revenue is, however, not always directly affected by an increase or decrease in MAU because contracts with business clients such as telecommunications companies have different terms.

Business segment performance was as follows:

Tobila Systems revised its reportable segments in the fiscal year ended October 31, 2020. Please refer to “Notes to Non-consolidated Financial Statements, Segment and Other Information, Segment Information, 4. Information related to changes in reportable segments, etc.” for more details.

Prior-year figures have been adjusted to match the revised segments in order to facilitate year-on-year comparisons.

Fraud and spam prevention services

There are three service categories in this segment. A filtering service that blocks fraudulent and other malicious calls on mobile phones is the core business. The other categories are a filtering service for landline phones and TobilaPhone Cloud, a filtering service for phones used by businesses. During the current fiscal year, we continued to focus on building an even larger and more powerful foundation for the provision of filtering services.

The advertisement filtering service, which is part of fraud and spam prevention services, is expected for no additional investments because we are concentrating resources on the primary services of this business segment.

Consequently, an impairment loss of 6 million yen has been recorded for non-current assets associated with the advertisement filtering service.

As a result, sales were 1,141 million yen, up 31.9% from one year earlier, and segment profit increased 23.6% to 752 million yen.

Others

Other services include a website design and operation support service, development projects outsourced by other companies and other activities. We do not intend to increase the scale of operations in this segment. Sales in the current fiscal year decreased 20.3% to 92 million yen, and the segment profit was 51 million yen, down 14.1% from one year earlier.

Total operating profit is the sum of the profit of the two segments minus corporate expenses, which are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to any of the reportable segments. Fiscal year corporate expenses increased 16.3% to 305 million yen mainly because of a larger number of administrative personnel and higher administrative expenses because of the larger scale of operations.

(2) Financial Position

Total assets

Total assets increased 337 million yen from the end of the previous fiscal year to 1,647 million yen at the end of the current fiscal year. This was attributable mainly to increases of 219 million yen in cash and deposits, 40 million yen in accounts receivable-trade, 21 million yen in property, plant and equipment, and 28 million yen in intangible assets.

Liabilities

Total liabilities decreased 8 million yen from the end of the previous fiscal year to 300 million yen. The main factors include a 26 million yen increase in accounts payable-other and a 39 million yen decrease in income taxes payable.

Net assets

Total net assets increased 346 million yen from the end of the previous fiscal year to 1,347 million yen. The main factors include an increase in share capital and capital surplus of 11 million yen each due to the exercise of share acquisition rights, and the booking of profit of 322 million yen.

The equity ratio increased from 76.4% at the end of the previous fiscal year to 81.7%.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year increased 219 million yen from the end of the previous fiscal year to 1,218 million yen. Cash flows by category are as described below.

Cash flows from operating activities

Net cash provided by operating activities amounted to 358 million yen. This was mainly due to profit before income taxes of 464 million yen and depreciation of 53 million yen, while there were income taxes paid of 189 million yen and an increase of 40 million yen in trade receivables.

Cash flows from investing activities

Net cash used in investing activities amounted to 123 million yen. The main factors include payments for the purchase of property, plant and equipment and intangible assets.

Cash flows from financing activities

Net cash used in financing activities amounted to 15 million yen. This was mainly due to proceeds from the exercise of share acquisition rights of 23 million yen, while there were repayments of long-term borrowings of 13 million yen and payments of listing expenses of 25 million yen.

(4) Outlook

The core business of Tobila Systems is fraudulent and spam prevention services. We provide effective products and services to deal with fraudulent and spam activities. Our filters automatically block incoming calls from phone numbers, even a number unknown to a user, that we have identified as suspicious by using our own know-how.

In the fraud and spam prevention services segment, the primary source of sales is service fees received from telecommunications service providers that offer their customers our fraud prevention services as an option. This steady revenue stream increases along with growth in the number of users of our services.

We believe that investments aimed at raising the speed of our medium to long-term business growth are essential for increasing our corporate value. We will continue to make investments in an appropriate manner while controlling our expenses.

We forecast net sales of 1,410 million yen (up 14.2 % year on year), operating profit of 517 million yen (up 3.7 %), ordinary profit of 515 million yen (up 9.3 %), and profit of 352 million yen (up 9.2 %) for the fiscal year ending October 31, 2021.

These forecasts are based on information available at the time this report was prepared and actual results may differ from these forecasts for a number of reasons.

2. Basic Approach for the Selection of Accounting Standards

Tobila Systems will continue to prepare financial statements based on generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Non-consolidated Financial Statements and Notes**(1) Non-consolidated Balance Sheet**

	(Thousands of yen)	
	FY10/19 (As of Oct. 31, 2019)	FY10/20 (As of Oct. 31, 2020)
Assets		
Current assets		
Cash and deposits	998,475	1,218,358
Accounts receivable-trade	109,595	150,496
Merchandise and finished goods	19,288	18,036
Work in process	762	-
Raw materials and supplies	529	1,564
Prepaid expenses	10,873	25,488
Other	0	51
Allowance for doubtful accounts	(365)	(66)
Total current assets	1,139,160	1,413,929
Non-current assets		
Property, plant and equipment		
Buildings, net	4,019	21,844
Structures, net	3,834	3,424
Vehicles, net	0	0
Tools, furniture and fixtures, net	36,003	39,980
Total property, plant and equipment	43,857	65,249
Intangible assets		
Patent right	5,671	4,068
Trademark right	713	1,422
Software	68,725	96,958
Other	10,257	11,721
Total intangible assets	85,367	114,171
Investments and other assets		
Long-term prepaid expenses	1,221	1,735
Deferred tax assets	16,862	28,519
Other	23,659	24,359
Total investments and other assets	41,743	54,614
Total non-current assets	170,968	234,035
Total assets	1,310,128	1,647,964

	(Thousands of yen)	
	FY10/19	FY10/20
	(As of Oct. 31, 2019)	(As of Oct. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	775	115
Current portion of long-term borrowings	13,008	13,008
Accounts payable-other	60,491	86,742
Accrued expenses	12,268	13,444
Income taxes payable	132,513	92,788
Accrued consumption taxes	27,088	34,548
Advances received	32,445	39,160
Deposits received	5,692	9,164
Total current liabilities	284,283	288,971
Non-current liabilities		
Long-term borrowings	24,892	11,884
Total non-current liabilities	24,892	11,884
Total liabilities	309,175	300,855
Net assets		
Shareholders' equity		
Share capital	293,010	304,961
Capital surplus		
Legal capital surplus	257,310	269,261
Total capital surpluses	257,310	269,261
Retained earnings		
Other retained earnings		
Retained earnings brought forward	450,632	772,977
Total retained earnings	450,632	772,977
Treasury shares	-	(90)
Total shareholders' equity	1,000,953	1,347,109
Total net assets	1,000,953	1,347,109
Total liabilities and net assets	1,310,128	1,647,964

(2) Non-consolidated Statement of Income

	(Thousands of yen)	
	FY10/19	FY10/20
	(Nov. 1, 2018 - Oct. 31, 2019)	(Nov. 1, 2019 - Oct. 31, 2020)
Net sales	981,682	1,234,315
Cost of sales		
Beginning merchandise and finished goods	28,271	19,288
Cost of products manufactured	243,695	303,367
Cost of purchased goods	5,119	17,112
Total	277,086	339,769
Ending merchandise and finished goods	19,288	18,036
Total cost of sales	257,798	321,732
Gross profit	723,884	912,582
Selling, general and administrative expenses	317,655	413,927
Operating profit	406,229	498,654
Non-operating income		
Interest income	4	10
Cancellation income for services	43	432
Subsidy income	-	1,240
Other	0	5
Total non-operating income	49	1,688
Non-operating expenses		
Interest expenses	370	314
Share issuance cost	7,410	319
Listing expenses	5,848	25,601
Other	-	2,892
Total non-operating expenses	13,630	29,127
Ordinary profit	392,648	471,215
Extraordinary losses		
Impairment loss	-	6,059
Loss on retirement of non-current assets	2,450	679
Total extraordinary losses	2,450	6,739
Profit before income taxes	390,197	464,475
Income taxes-current	150,446	153,788
Income taxes-deferred	(8,916)	(11,656)
Total income taxes	141,529	142,131
Profit	248,667	322,344

(3) Non-consolidated Statement of Changes in Equity

FY10/19 (Nov. 1, 2018 - Oct. 31, 2019)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings			
				Retained earnings brought forward				
Balance at beginning of period	52,300	16,600	16,600	201,964	201,964	-	270,864	270,864
Changes during period								
Issuance of new shares	234,710	234,710	234,710				469,420	469,420
Issuance of new shares-exercise of share acquisition rights	6,000	6,000	6,000				12,000	12,000
Profit				248,667	248,667		248,667	248,667
Purchase of treasury shares							-	-
Total changes during period	240,710	240,710	240,710	248,667	248,667	-	730,088	730,088
Balance at end of period	293,010	257,310	257,310	450,632	450,632	-	1,000,953	1,000,953

FY10/20 (Nov. 1, 2019 - Oct. 31, 2020)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings			
Balance at beginning of period	293,010	257,310	257,310	450,632	450,632	-	1,000,953	1,000,953
Changes during period								
Issuance of new shares							-	-
Issuance of new shares-exercise of share acquisition rights	11,951	11,951	11,951				23,902	23,902
Profit				322,344	322,344		322,344	322,344
Purchase of treasury shares						(90)	(90)	(90)
Total changes during period	11,951	11,951	11,951	322,344	322,344	(90)	346,156	346,156
Balance at end of period	304,961	269,261	269,261	772,977	772,977	(90)	1,347,109	1,347,109

(4) Non-consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY10/19	FY10/20
	(Nov. 1, 2018 - Oct. 31, 2019)	(Nov. 1, 2019 - Oct. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	390,197	464,475
Depreciation	38,374	53,897
Impairment loss	-	6,059
Share issuance cost	7,410	319
Listing expenses	5,848	25,601
Increase (decrease) in allowance for doubtful accounts	(203)	(298)
Interest and dividend income	(4)	(10)
Interest expenses	370	314
Commitment fee	-	500
Loss on retirement of non-current assets	2,450	679
Decrease (increase) in trade receivables	(32,793)	(40,900)
Decrease (increase) in inventories	17,873	979
Increase (decrease) in trade payables	775	(659)
Increase (decrease) in accounts payable-other	(8,192)	32,358
Increase (decrease) in advances received	154	6,714
Increase (decrease) in accrued consumption taxes	8,262	7,459
Other, net	12,401	(9,004)
Subtotal	442,924	548,487
Interest and dividend income received	4	10
Interest expenses paid	(370)	(314)
Income taxes paid	(62,471)	(189,352)
Net cash provided by (used in) operating activities	380,087	358,831
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,196)	(56,491)
Purchase of intangible assets	(39,795)	(61,808)
Payments for asset retirement obligations	-	(4,900)
Payments of leasehold and guarantee deposits	(16,022)	(630)
Net cash provided by (used in) investing activities	(63,015)	(123,829)
Cash flows from financing activities		
Repayments of long-term borrowings	(13,008)	(13,008)
Proceeds from issuance of shares	474,009	23,582
Payments of listing expenses	(5,848)	(25,601)
Purchase of treasury shares	-	(90)
Net cash provided by (used in) financing activities	455,153	(15,117)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	772,225	219,883
Cash and cash equivalents at beginning of period	226,249	998,475
Cash and cash equivalents at end of period	998,475	1,218,358

(5) Notes to Non-consolidated Financial Statements

Going Concern Assumption

Not applicable.

Equity in Earnings of Affiliates

Not applicable as Tobila Systems does not have an affiliate.

Segment and Other Information

Segment Information

1. Overview of reportable segment

(1) Method of determining the reportable segments

Segments used for financial reporting are Tobila Systems' constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The core fraud and spam prevention services business accounts for more than 90% of total sales and earnings.

As a result, there is only one reportable segment: Fraud and Spam Prevention Services.

(2) Products and services for the reportable segment

The fraud and spam prevention services segment uses analytic algorithms to identify suspicious or malicious calls for the provision of filtering apps and services for mobile and landline phones, more robust fraud filtering services for companies, and the development and provision of new fraud filtering products and services.

Other services which are not included in the reportable segment, include systems that support the design and operation of websites, outsourced development projects, and other activities.

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for the reportable segment

The accounting methods used for the reportable segment are generally the same as those used for the preparation of the financial statements. Segment profit is operating profit.

3. Information related to net sales, profit or loss, assets, liabilities, and other items for the reportable segment

FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)

(Thousands of yen)

	Reportable segment		Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on non-consolidated financial statements (Note 3)
	Fraud and spam prevention services	Subtotal				
Net sales						
External sales	865,230	865,230	116,452	981,682	-	981,682
Inter-segment sales and transfers	-	-	-	-	-	-
Total	865,230	865,230	116,452	981,682	-	723,884
Segment profit	608,915	608,915	60,235	669,150	(262,921)	406,229
Segment assets	233,354	233,354	18,206	251,561	1,058,567	1,310,128
Other items						
Depreciation	33,568	33,568	1,728	35,297	3,077	38,374
Increase in property, plant and equipment and intangible assets	64,039	64,039	3,020	67,060	3,490	70,550

Notes: 1. Others represent the businesses which are not included in the reportable segment and includes a website design and operation support service and development projects outsourced by other companies.

2. Contents of adjustments are as follows.

- (1) The adjustment to segment profit includes corporate expenses that are not allocated to the reportable segment. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to the reportable segment.
- (2) The adjustment to segment assets includes corporate assets that are not allocated to the reportable segment. Corporate assets mainly consist of surplus funds (cash and deposits), and assets which belong to the administration department.
- (3) The adjustment to depreciation includes depreciation of corporate assets that are not allocated to the reportable segment.
- (4) The adjustment to increase in property, plant and equipment and intangible assets includes capital expenditures associated with corporate assets that are not attributable to the reportable segment.

3. Segment profit is adjusted to be consistent with operating profit in the non-consolidated statement of income.

FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)

(Thousands of yen)

	Reportable segment		Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on non-consolidated financial statements (Note 3)
	Fraud and spam prevention services	Subtotal				
Net sales						
External sales	1,141,560	1,141,560	92,754	1,234,315	-	1,234,315
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,141,560	1,141,560	92,754	1,234,315	-	1,234,315
Segment profit	752,603	752,603	51,724	804,328	(305,674)	498,654
Segment assets	308,395	308,395	13,396	321,791	1,326,173	1,647,964
Other items						
Depreciation	48,222	48,222	1,638	49,860	4,036	53,897
Increase in property, plant and equipment and intangible assets	67,682	67,682	1,151	68,833	42,798	111,632

Notes: 1. Others represent the businesses which are not included in the reportable segment and includes a website design and operation support service and development projects outsourced by other companies.

2. Contents of adjustments are as follows.

- (1) The adjustment to segment profit includes corporate expenses that are not allocated to the reportable segment. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to the reportable segment.
 - (2) The adjustment to segment assets includes corporate assets that are not allocated to the reportable segment. Corporate assets mainly consist of surplus funds (cash and deposits), and assets which belong to the administration department.
 - (3) The adjustment to depreciation includes depreciation of corporate assets that are not allocated to the reportable segment.
 - (4) The adjustment to increase in property, plant and equipment and intangible assets includes capital expenditures associated with corporate assets that are not attributable to the reportable segment.
3. Segment profit is adjusted to be consistent with operating profit in the non-consolidated statement of income.

4. Information related to changes in reportable segments, etc.

Beginning with FY10/20, Tobila Systems has deleted the Other Services segment. As a result, there is now only one reportable segment: Fraud and Spam Prevention Services.

Our policy is to no longer aim for growth of the website design and operation support service or the outsourced development projects, which were included in the Other Services segment. Due to the growth of the Fraud and Spam Prevention Services segment, the importance of the Other Services segment has declined. This resulted in the decision that Other Services should be deleted from the reportable segments.

The segment information for FY10/19 was prepared and disclosed based on the reportable segment structure after this change.

Related Information

FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)

1. Information by product and service

Omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan accounted for more than 90% of net sales shown on the non-consolidated statement of income.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
SoftBank Corp.	476,678	Fraud and spam prevention services
NTT DOCOMO, INC.	148,333	Fraud and spam prevention services
KDDI CORPORATION	125,868	Fraud and spam prevention services

FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)

1. Information by product and service

Omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan accounted for more than 90% of net sales shown on the non-consolidated statement of income.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
SoftBank Corp.	476,480	Fraud and spam prevention services
KDDI CORPORATION	318,700	Fraud and spam prevention services
NTT DOCOMO, INC.	167,130	Fraud and spam prevention services

Information Related to Impairment Loss of Non-current Assets for the Reportable Segment

FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)

Not applicable.

FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)

(Thousands of yen)

	Reportable segment		Others (Note)	Total	Adjustment	Amounts shown on non-consolidated financial statements
	Fraud and spam prevention services	Subtotal				
Impairment loss	6,059	6,059	-	6,059	-	6,059

Note: Others represent the businesses which are not included in the reportable segment and includes a website design and operation support service and development projects outsourced by other companies.

Information Related to Amortization of Goodwill and Unamortized Balance for the Reportable Segment

Not applicable.

Information Related to Gain on Bargain Purchase for the Reportable Segment

Not applicable.

Per-share Information

(Yen)

	FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)	FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)
Net assets per share	97.91	129.71
Net income per share	25.53	31.30
Diluted net income per share	24.04	30.20

- Notes: 1. The Tobila Systems stock was listed on the Tokyo Stock Exchange Mothers Market on April 25, 2019. Diluted net income per share for FY10/19 was determined by using an average stock price during the period between the listing and the end of October 2019.
2. Tobila Systems conducted a 100-for-1 stock split on January 16, 2019 and a 3-for-1 stock split on October 11, 2019. Accordingly, net assets per share and net income per share have been calculated as if these stock splits had taken place at the beginning of FY10/19.
3. The basis of calculating net income per share is as follows:

(Thousands of yen)

	FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)	FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)
Net income per share		
Profit	248,667	322,344
Amount not attributable to common shareholders	-	-
Profit applicable to common shares	248,667	322,344
Average number of common shares outstanding during the period (shares)	9,741,026	10,298,193
Diluted net income per share		
Adjustment to profit	-	-
Increase in the number of common shares (shares)	601,556	374,354
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

4. The basis of calculating net assets per share is as follows.

(Thousands of yen)

	FY10/19 (As of Oct. 31, 2019)	FY10/20 (As of Oct. 31, 2020)
Total net assets	1,000,953	1,347,109
Deduction on total net assets	-	-
Net assets applicable to common shares at end of period	1,000,953	1,347,109
Number of common shares at end of period used in calculation of net assets per share (shares)	10,222,800	10,385,350

Subsequent Events

Stock repurchase

The Board of Directors of Tobila Systems approved a resolution on December 10, 2020 to repurchase its own shares pursuant to Article 459, Paragraph 1 of the Companies Act.

1. Reason for stock repurchase

Tobila Systems will repurchase its own shares in order to distribute restricted stock to its employees.

2. Details of stock repurchase

(1) Type of shares to be repurchased

Common shares of Tobila Systems

(2) Total number of shares to be repurchased

Up to 120,000 shares

(1.16% of total shares outstanding, excluding treasury shares)

(3) Total value of shares to be repurchased

Up to 240,000 thousand yen

(4) Price of shares to be repurchased

December 10, Thursday, closing price

(Including the last special quote)

(5) Date of repurchase

Friday, December 11, AM 8:45, 2020

(6) Method of repurchase

Transaction through Tokyo Stock Exchange Trading Network System (ToSTNet-3)

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.